United Nations A/C.5/57/SR.7

General Assembly
Fifty-seventh session
Official Records

Distr.: General
18 March 2003
English
Original: French

Fifth Committee

Summary record of the 7th meeting
Held at Headquarters, New York, on Monday, 14 October 2002, at 10 a.m.

Chairman: Mr. Sharma ..... (Nepal)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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02-63664 (E)

The meeting was called to order at 10 a.m.

Agenda item 117: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*)

Report of the Committee on Contributions (*continued*) (A/57/11)

1. **Mr. Sessi** (Chairman of the Committee on Contributions) introduced the report of the Committee on Contributions on its sixty-second session. With reference to the methodology for the preparation of future scales of assessment, he recalled that, in resolution 55/5 B, the General Assembly had decided that the elements and criteria used in the preparation of the scale of assessments for the period 2001-2003 would remain fixed until 2006. The Committee had therefore decided to focus its attention at its sixty-second session on other technical aspects of the scale. The results of the Committee's consideration of that topic were contained in chapter III of its report.

2. With regard to the System of National Accounts (SNA), the Committee had noted that the concept of gross national product (GNP) under the 1968 SNA had been renamed gross national income (GNI) under the 1993 SNA, in what was simply a terminological refinement. With regard to the implementation of the 1993 SNA, the Committee had noted an increase in the number of Member States that had implemented the new System from 47 in May 2000 to 80 in May 2002, and in the proportion of Member States' total GNI covered, from 40 per cent in 2000 to 87 per cent in 2002.

3. Although the approach to conversion rates had been decided by the General Assembly in paragraph 1 of resolution 55/5 B, the criteria to be used in determining which rates should be replaced by price-adjusted rates of exchange (PAREs) or other alternative rates had not been defined. On the basis of a further report from the Statistics Division, the Committee had continued its review of the revised approach to PAREs, which it had begun in 2000. The Committee had concluded that the method could perhaps be used as an analytical tool for identifying Member States whose market exchange rates (MERs) should be replaced for the purposes of preparing the next scale of assessments and had decided to consider the matter further at a future session in the light of its practical experience.

4. As for measures to encourage the timely, full and unconditional payment of assessed contributions, the Committee had considered the reports of the Secretary-General on multi-year payment plans (A/57/65) and on measures to encourage Member States in arrears to reduce and eventually pay their arrears (A/57/76). The results of the Committee's review were included in chapter IV of its report. The Committee had recalled its conclusions and recommendations concerning related general issues, in particular the proposed revision of financial regulation 5.4 that would make assessed contributions and advances due and payable 35 days from the date of issuance of assessments, rather than 30 days from their receipt.

5. While the Committee agreed that Member States should be encouraged to submit multi-year payment plans, it recognized that not all of them were in a position to do so. The Committee had therefore recommended that such plans should remain voluntary and should not be automatically linked to other measures. It had also recommended that Member States should consult the Secretariat for advice in preparing their plans, which should be submitted to the Secretary-General for the information of other Member States. Plans should provide for payment each year of a Member State's current year assessments and a part of its arrears and, where possible, should generally aim to eliminate a Member State's arrears within a period of up to six years. In order to systematize the treatment of payment plans, the Secretary-General should be requested to report to the General Assembly, through the Committee on Contributions, on the implementation of multi-year payment plans as they stood on 31 December each year. The Committee on Contributions had recommended, lastly, that the General Assembly and itself should take the submission and implementation status of plans into account when considering requests for exemption under Article 19.

6. With respect to the indexation of and interest on arrears, the Committee on Contributions had reaffirmed its conclusions and recommendations at its sixty-first session. In particular, it had recalled its conclusion that, should the General Assembly decide to introduce interest charges on arrears, the rate should not exceed 1 per cent and should not have retroactive effect.

7. Regarding the suggestion that budgetary surpluses should be credited only to those Member States that were current with their financial obligations

to the Organization, the Committee on Contributions had noted the approach proposed in the Secretary-General's report (A/57/76) and had studied the various options for using that part of the surplus currently allocated to Member States that had not met their financial obligations to the United Nations in full. While not agreeing on the merits of the proposal, the members of the Committee on Contributions had agreed that, should the General Assembly decide to proceed with the matter, the Committee on Contributions could revert to it at a future session.

8. The results of the consideration of requests for exemption under Article 19 of the Charter were reflected in chapter V of the report of the Committee on Contributions. The Fifth Committee had already taken action on the matter at the current session.

9. The results of the review of appeals by Members for a change of assessments were reflected in chapter VI of the report. A request by Afghanistan for a reduction in its rate of assessment had been referred to the Committee on Contributions, which had recalled that Afghanistan's rate of assessment had increased from 0.003 per cent in 2000 to 0.009 per cent in 2003, the final year of the current scale. The Committee on Contributions had noted the difficulty encountered in finding data to use in the current scale; the most recent data available for Afghanistan had been for 1990 and those data had been extrapolated using growth rate indicators published by the International Monetary Fund (IMF). The 1990 data had still been the most recent available, but IMF no longer included growth rate indicators. After the scale had been fixed, the Economic and Social Commission for Asia and the Pacific (ESCAP) had published new indicators, based on which the income figures for Afghanistan would have been significantly lower. In addition, given the devastation caused by the conflict, the Committee on Contributions had decided that, in re-evaluating the country's rate of assessment for 2003, it would be more appropriate to use United Nations operational rates of exchange rather than the PAREs that had been used in the preparation of the current scale. On that basis, the Committee on Contributions had recommended to the General Assembly that Afghanistan's rate of assessment for 2003 should be reduced to 0.001 per cent, as an ad hoc correction, and had stated its intention to keep the situation of Afghanistan under careful review when it considered the scale of assessments for the period 2004-2006.

10. A request from Argentina for a reduction in its rate of assessment for 2003 had also been referred to the Committee on Contributions, as well as a request that its placement for the purposes of peacekeeping assessments should be lowered from level F, given the reduction in its per capita gross national income. Some members of the Committee had considered that the developments in the situation of Argentina clearly fell under the provisions of the second sentence of rule 160 of the rules of procedure of the General Assembly, namely, "substantial changes in relative capacity to pay". Others had expressed concern that changing Argentina's rate of assessment under the second sentence of rule 160 without clear and objective criteria would create an unfortunate precedent and lead to a proliferation of such requests. In general, however, the Committee on Contributions had agreed that Argentina's situation was exceptional in nature and that some measure of relief was appropriate. There had been no problem with data, and the economic crisis in Argentina had taken place after the 1993-1998 base period used for the current scale of assessments. In any case, whatever measure was adopted should not undermine the current scale methodology and Argentina's rate of assessment should therefore not be adjusted on the basis of new and projected data. Some members had felt that it would be difficult to fit any relief measure within the current scale methodology, but that an ad hoc adjustment could be considered. Others had felt that the most appropriate solution technically would be the retroactive application of the current PARE methodology to Argentina's 1993-1998 data in adjusting its rate of assessment for 2003. Recalling that Argentina's share of the gross national product of all Member States for the period 1993-1998 had been 0.969 per cent and that its rate of assessment for 2003 was 1.149 per cent, the Committee on Contributions had recommended that the General Assembly should approve an ad hoc adjustment of Argentina's 2003 rate to 0.969 per cent. Those Members that had preferred the retroactive application of PAREs had noted that such an approach would have yielded a 2003 rate of assessment of 0.88342 per cent. With regard to Argentina's request for placement at a different level for the purposes of peacekeeping assessments, the Committee on Contributions had recalled that it had no mandate to consider the system of adjustments for establishing rates of assessment for peacekeeping operations.

11. At its sixty-first session, the Committee on Contributions had noted that four Member States still had arrears arising from the period before they had been admitted to the United Nations and it had requested its Chairman to seek a legal opinion on the possibility of adding those arrears to the arrears of the Member States in question so that they could be taken into account when assessing contributions in application of Article 19 of the Charter or any other incentive or disincentive measures that the General Assembly might introduce. The legal advice provided to the Committee on Contributions was that Article 19 did not permit such a possibility. The Committee had welcomed the fact that two of the Member States referred to in 2001 — the Democratic People's Republic of Korea and Kiribati — had paid all their non-member State arrears. Only Tonga and Viet Nam still had arrears that pre-dated their membership in the Organization. The Committee on Contributions noted that the Holy See would soon be the only non-member State subject to the assessment for such States participating in some United Nations activities and had decided to review the whole question again at its sixty-third session, with a view to simplifying the related methodology.

12. With reference to the assessment of new Member States, the Committee on Contributions had considered the prospective rates of assessment that Timor-Leste and Switzerland would be required to pay. Based on available data, Timor-Leste's rate of assessment for the period 2001-2003 would have been at the floor level of 0.001 per cent. In the case of Switzerland, the Committee had recalled that, in its resolution 55/5 B, the General Assembly had fixed the notional rate of its annual assessment at 1.274 per cent, based on the scale that it had adopted for the period 2001-2003. If Timor-Leste and Switzerland were admitted to the United Nations before the end of 2002, the basis of their assessment would be one twelfth of their annual rate of assessment for each full calendar month of membership in 2002. The amounts in question would then be treated as miscellaneous income, thereby reducing the future net assessments of Member States. Should the General Assembly fix the rates of assessment for Timor-Leste and Switzerland in 2002, those rates would be added to the existing scale for 2003. As a result, the scale would total more than 100 per cent and the effective rates of all Member States would be lower than their scale rates. From 2004 on, Timor-Leste and Switzerland would be incorporated in the 100 per cent scale to be adopted for the period 2004-2006. The Committee had concluded that the rate of assessment of Timor-Leste for 2002 and 2003 should be 0.001 per cent and that of Switzerland 1.274 per cent.

13. The Committee on Contributions had concluded that the issue of the arrears of the former Yugoslavia raised a number of legal and political issues that went beyond its competence as a technical advisory body. The existence of the arrears was not in dispute and there were no technical grounds for them to be written off. Should the General Assembly decide to write off some or all of the arrears of the former Yugoslavia, it would need to decide whether to write them off against retained surpluses or against the respective accounts in which they arose. On the other hand, should the Assembly decide to seek payment of some or all of the arrears of the former Yugoslavia, it would need to determine the exact date of the final dissolution of the State in order to determine the amounts of the pre- and post-dissolution arrears. Should the Assembly decide to seek payment of some of the pre-dissolution arrears, it could invite the successor States to negotiate an agreement on the distribution of those arrears. In that context, the Committee on Contributions had noted that the successor States had signed an agreement on the assets and liabilities of the Socialist Federal Republic of Yugoslavia. Some Members had felt that such an agreement could be the basis for allocating the pre-dissolution arrears, but the Committee on Contributions had noted that the agreement did not specifically refer to the arrears owed by the former Yugoslavia to the United Nations and that it had not yet entered into force. Should the Assembly decide to seek payment of some or all of the post-dissolution arrears of the former Yugoslavia, it would have to pursue the matter with the Federal Republic of Yugoslavia.

14. With regard to the scale of assessments to be used for an additional assessment required for the biennium 2000-2001, the Committee on Contributions had recommended to the Assembly that the additional assessment for the biennium 2000-2001 should be added to the appropriations to be financed for 2003 and that the scale of assessments for 2003 should therefore be applied.

15. At the conclusion of the sixty-second session of the Committee on Contributions, 19 Member States had fallen under the provisions of Article 19 of the Charter, four of which (Burundi, Georgia, the Republic of Moldova and the Union of Comoros) had been

granted exemptions until 30 June 2002. Seven Member States (Afghanistan, Chad, Kyrgyzstan, Mauritania, the Seychelles, Uzbekistan, and Vanuatu) had since then paid the amounts required to restore their right to vote in the General Assembly. The General Assembly had decided that Georgia, Guinea Bissau, the Republic of Moldova, Sao Tome and Principe, Somalia, Tajikistan and the Union of Comoros would retain the right to vote until 30 June 2003 and that Burundi would be permitted to vote until the next substantive session of the Committee on Contributions, which was scheduled to be held from 2 June 2003. Thus, four Member States currently fell under the provisions of Article 19 and did not have the right to vote in the General Assembly. Those States were the Central African Republic, Iraq, Liberia and the Niger. The Committee on Contributions had noted the fact that the Secretary-General had accepted in 2001 the equivalent of slightly over US$ 1.4 million in three currencies other than United States dollars that were acceptable to the Organization.

Report of the Secretary-General on the application of Article 19 of the Charter of the United Nations (A/57/60)

Report of the Secretary-General on multi-year payment plans (A/57/65)

Report of the Secretary-General on measures to encourage Member States in arrears to reduce and eventually pay their arrears (A/57/76)

16. **Mr. Gilpin** (Chief of the Contributions Service), introducing the report of the Secretary-General on the application of Article 19 of the Charter of the United Nations (A/57/60), recalled that, in its resolution 55/5 A of 26 October 2000, the General Assembly had decided to compare arrears with the amount actually assessed and payable for the preceding two full years for the purpose of the application of Article 19 of the Charter. The earlier report of the Secretary-General on that question had included tables showing what would have resulted as at 1 January, 1 July, and 31 December 2000 if the methodology for calculating arrears envisaged by the General Assembly in its resolution 55/5 A had been used instead of the existing procedures. The current report (A/57/60) provided the corresponding data as at 1 January, 1 July and 31 December 2001. As with the earlier tables, it was important to bear in mind that, had alternative procedures been in place, the pattern of payments might well have been different.

17. Turning to the report of the Secretary-General on multi-year payment plans (A/57/65), he noted that, even though a number of Member States had indicated their intention to reduce or eliminate their arrears over a period of time, there were no formal procedures for payment plans and no provisions for their monitoring. There was also no link between payment plans and the application of Article 19. If the General Assembly did decide to introduce a more formal approach to payment plans, it would need to consider a number of issues that were set out in the report. It would need to decide, for example, whether payment plans should remain voluntary or become mandatory in some sense by being linked to other measures (in the case in question, through the application of Article 19 and any other measures to encourage payment of assessed contributions). Should the Assembly decide on a linkage to other measures, it would also need to consider whether the linkage should be automatic or discretionary.

18. The report also addressed a number of implementation issues, including the amount of payments under a plan, the duration of plans, the timing of payments, the consequences of a failure to make payments in accordance with the plan, and the possibility of revising financial regulation 5.4. The text of a possible revision was contained in annex I to the report. Annex II set out in tabular form the elements to be considered for the adoption of a system of multi-year payment plans, including two possible variants based, respectively, on a voluntary and mandatory approach.

19. Introducing the report of the Secretary-General on measures to encourage Member States in arrears to reduce and eventually pay their arrears (A/57/76), he noted that the report had drawn on the relevant observations, conclusions and recommendations of the Committee on Contributions. Annex I contained the same proposal to revise financial regulation 5.4 as the report on multi-year payment plans. The report focused on two proposals, one for indexation of or charging of interest on arrears and the other that only Member States that were current with their financial obligations to the Organization should be credited with budgetary surpluses. It was suggested that the amounts resulting from those measures should be transferred to the United Nations Special Account in order to strengthen

the Organization's reserves. When it considered the current report at the resumed fifty-seventh session of the Assembly, the Fifth Committee might wish to take account of the conclusions and recommendations of the Committee on Contributions on measures to encourage the timely, full and unconditional payment of assessed contributions, which were contained in chapter IV of the report.

20. **Mr. Pulido León** (Venezuela), speaking on behalf of the Group of 77 and China, thanked the Committee on Contributions for its report, which accurately reflected the discussions at its sixty-second session. He regretted, however, that the Committee had not provided sufficient guidance concerning the arrears of the former Yugoslavia.

21. In its Ministerial Declaration of 19 September 2002, the Group of 77 and China had reaffirmed the obligation of Member States, particularly the major contributor, to pay their assessed contributions in full, on time and without conditions, with the exception of countries facing serious economic difficulties, and that capacity to pay remained the fundamental criterion. They had declared their support for an intergovernmental dialogue to explore measures to improve the financial situation of the Organization, but had stressed that any attempt to change the current methodology for calculating arrears under Article 19 of the Charter could adversely affect a large number of developing countries.

22. He recalled, moreover, that at the meeting of 25 September 2002 devoted to the organization of the work of the Committee on Contributions, the Group of 77 and China had fully supported that Committee's recommendation concerning revision of the assessments of Argentina and Afghanistan for 2003, not only out of solidarity with the Group's members but also because the recommendation had been adopted by consensus by the Committee on Contributions, the only body mandated to provide guidance to the General Assembly on the issue. Rejection of a recommendation from that body would create a dangerous precedent and risk undermining its future credibility.

23. Concerning the application of Article 19, the Group of 77 and China believed that the General Assembly should continue to examine requests for exemption, in particular from developing countries unable to pay their contributions owing to circumstances beyond their control. In that connection, he recalled the advisory role played by the Committee on Contributions in accordance with rule 160 of the rules of procedure of the General Assembly. The Group of 77 and China also endorsed the recommendation of the Committee on Contributions that multi-year payment plans should remain voluntary and not be automatically linked to other measures.

24. On the question of the arrears of the former Yugoslavia, the Group of 77 and China looked forward to receiving additional information and hearing the views of other delegations. The Group of 77 and China believed that the political and legal dimensions of the issue should be taken into account and that discussions on the item should be transparent to allow all Member States to express their points of view.

25. **Mr. Christiansen** (Denmark), speaking on behalf of the European Union, the associated countries Cyprus, Estonia, Hungary, Lithuania, Malta, Poland, Romania, Slovakia and Turkey, and, in addition, Liechtenstein and Norway, welcomed the recommendations of the Committee on Contributions regarding multi-year payment plans.

26. The European Union agreed that a linkage between multi-year payment plans and the application of Article 19 of the Charter would provide a greater incentive for Member States to submit and keep to a payment plan; that the plans must provide for payment each year of the Member State's current year assessments and a part of its arrears and, where possible, provide for the elimination of the arrears within a period of up to six years; that the submission of such plans could be kept voluntary and not be automatically linked to other measures, where that was the best solution; that the Secretary-General should be invited to report annually to the General Assembly, through the Committee on Contributions, on whether the payment plans had led to reductions in Member States' arrears; and that the Committee on Contributions and the General Assembly could take payment plans into account when considering requests for exemption under Article 19.

27. The European Union believed that it was essential to ensure respect for the provisions of Article 19 of the Charter and full implementation of the scale of assessments, as defined in General Assembly resolution 55/5 B. Pursuant to paragraph 2 of that resolution, it was to be expected that some Member States would submit appeals for revision of their

assessed contribution, under rule 160 of the rules of procedure of the General Assembly. However, such considerations must not lead to annual renegotiations of the scale of assessments. As the Committee on Contributions had pointed out in the past, ad hoc adjustments could create major distortions in the scale of assessments, and it was only in the context of a new scale that an adjustment in rates of assessment could be undertaken that would better reflect Member States' capacity to pay.

28. The European Union believed that no adjustment of rates of assessment under rule 160 of the rules of procedure of the General Assembly should lead to any increase in the rates of assessment of other Member States, as provided for in the scale adopted by the General Assembly. The Committee on Contributions should be requested to submit proposals to the General Assembly at its fifty-eighth session on how to set out clear and objective criteria for the application of rule 160 of the rules of procedure, particularly with regard to appeals by Member States for adjustments, taking past practices into account. The General Assembly should consider those proposals as a matter of priority at its next session. In the meantime, Member States should decide that no appeals by Member States for an adjustment of their rate of assessment could be considered prior to the adoption of such criteria.

29. The requests from Afghanistan and Argentina could be dealt with in several ways. Member States could, for example, endorse the proposals made by the Committee on Contributions and request the Secretary-General to ensure that such a decision would not have adverse effects on the assessed contributions of other Member States, or they could refer the matter to the fifty-eighth session, pending further consideration by the Committee on Contributions. It should be stressed that such a solution would be acceptable only if it did not prejudice a future decision by the General Assembly concerning the requests submitted to the Committee on Contributions by the States in question.

30. With regard to the arrears of the former Yugoslavia, amounting to $16.2 million, the European Union thanked the Committee on Contributions for its useful advice on the subject, including the proposed roadmap for further deliberations in the Fifth Committee. The information provided should allow the Committee to consider the main issue of how to deal with the arrears of the former Yugoslavia.

31. The European Union also welcomed the admission of Switzerland and the Democratic Republic of Timor-Leste to the United Nations and endorsed the recommendation of the Committee on Contributions contained in paragraph 106 of its report (A/57/11) concerning the calculation of the rate of assessment of those States.

32. **Ms. Chassoul** (Costa Rica), speaking on behalf of the member States of the Rio Group, said that she appreciated the work of the Committee on Contributions and recalled that its technical recommendations were highly authoritative and were essential to guide the work of the Fifth Committee. The Rio Group had carefully considered the report of the Committee on Contributions (A/57/11) and supported its recommendations concerning the appeals by Afghanistan and Argentina for a review of their rates of assessment, particularly since those recommendations had been made after careful consideration and with the agreement of all members of the Committee on Contributions.

33. The Rio Group wished to reaffirm the importance of the timely, full and unconditional payment of Member States' assessed contributions, but was aware of the economic problems facing developing countries. It took the view that multi-year payment plans should remain voluntary and should not be automatically linked to other measures.

34. The Rio Group agreed with the Committee on Contributions that the question of how to treat the arrears of the former Yugoslavia raised a number of legal and political issues, which should be considered in depth by the relevant bodies of the General Assembly. In that connection, it was vital to consult the successor States about ways of addressing the issue.

35. **Mr. Šahović** (Federal Republic of Yugoslavia), speaking on behalf of all the successor States to the former Socialist Federal Republic of Yugoslavia (Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia, the former Yugoslav Republic of Macedonia, and Slovenia), which had adopted a joint position on the treatment of the arrears of the former Yugoslavia, recalled that the Socialist Federal Republic of Yugoslavia had been succeeded by five equal States, none of which had retained its legal personality, a fact that had been confirmed in 1992 by a number of Security Council and General Assembly resolutions. However, the United Nations held that the

post-dissolution State, which should have ceased ipso facto to be a Member of the Organization, was still responsible for the contributions of the former State.

36. The dissolution of the former Yugoslavia had not taken place on a specific date and the successor States had become independent on different dates. The United Nations should have taken that situation into account, particularly when assessing contributions. The five successor States had been admitted to the United Nations as new Members and, since then, had been meeting their financial obligations. The decision to retain a dissolved State on the scale of assessments had been a misleading approach that should have no legal consequences for other Member States or financial repercussions for the successor States. The dissolution of the former Yugoslavia had been unique, but the United Nations should nevertheless take steps to address such situations, in case they occurred in the future.

37. The successor States considered that the unpaid contributions of the former Yugoslavia should be written off. In fact, that was the first solution suggested in the conclusions contained in the annex to the letter dated 27 December 2001 from the Secretary-General to the President of the General Assembly (A/56/767). Lastly, with reference to paragraph 117 of the report of the Committee on Contributions (A/57/11), which stated that the question of how to treat the arrears of the former Yugoslavia raised a number of legal and political issues, he requested that the problem should be treated as a very sensitive political one and should be the subject of a political decision.

38. **Mr. Moura** (Brazil), speaking on behalf of the member States of the Southern Common Market (MERCOSUR) and the associated States, Bolivia and Chile, associated himself with the statements made by Venezuela, on behalf of the Group of 77 and China, and by Costa Rica, on behalf of the Rio Group. He supported the recommendations contained in the report of the Committee on Contributions (A/57/11) concerning the appeals by Afghanistan and Argentina for a review of their assessments, namely, to reduce Afghanistan's rate of assessment to 000.1 per cent and to fix Argentina's rate at 0.969 per cent as an ad hoc adjustment.

39. The Committee on Contributions had noted that Argentina's capacity to pay had been seriously affected by the exceptional economic, financial and social disruptions it was facing. Since the Committee on Contributions had written its report, the 2002 forecast for Argentina had become even more disturbing with GDP falling by 16 per cent and unemployment and poverty rates rising even further. Furthermore, following the devaluation of its currency in 2002, the national economy had shrunk to half of its average annual value in United States dollars, which served as the basis for the calculation of its assessment.

40. Argentina's rate of assessment had increased significantly in recent years, from 0.48 per cent in 1997 to 1.024 per cent in 1999 and 1.159 per cent in 2002. Moreover, in view of the new methodology for calculating contributions to the peacekeeping budget, Argentina's assessment now accounted for 40 per cent of its contribution to the United Nations regular budget as compared to the previous figure of 20 per cent. In that connection, the aim of rule 160 of the rules of procedure of the General Assembly was to ensure that any country whose capacity to pay had changed would be treated fairly, in accordance with the fundamental principles governing the preparation of the scale of assessments for the budget of the United Nations.

41. **Mr. Listre** (Argentina), recalling that the Committee on Contributions had considered the case of Argentina in June 2002 at its 62nd session, said that Argentina's contribution to the regular budget of the United Nations, which was the fifteenth largest, had more than doubled between 1993 and 2000 as a result of the country's exceptional economic growth during the 1990s. However, the current crisis, the most serious and prolonged in the country's history, was threatening its integration into the international economy and was destabilizing the society on the social, political, juridical and institutional levels. The Argentine economy had in fact been in recession for more than four years.

42. Since the middle of 2001, the almost total paralysis of the productive sectors of its economy and the collapse of its financial system had caused production and budget revenues to plummet and had increased its public debt to $140 billion, the equivalent of more than five years of exports. Unable to service its debt, the country had made no payments since the end of 2001. The uncertainty surrounding the convertibility of its currency had provoked a flight to dollars and it had been necessary to do away with the decade-old system of parity between the peso and the dollar, which had led to a 42 per cent drop in currency reserves in

2001. On the social level, more than 22 per cent of the working-age population was unemployed and, since March 2001, nearly 15 per cent of the population in metropolitan Buenos Aires had been living below the poverty line. From the second half of 2001 to April 2002, Argentina's gross domestic product had dropped to an annual rate of 18.2 per cent.

43. Unable to access international financial markets during the long series of negotiations undertaken with the international financial institutions, and with no hope of rapidly relaunching economic activity given the scale of the crisis, his Government anticipated a drop of more than 10 per cent in GDP and a 25 per cent increase in the rate of unemployment. Given the additional effect of the devaluation of the peso, it would have difficulty dealing with its budgetary deficit and honouring its international commitments, in particular its contribution to the regular budget of the United Nations.

44. In light of the exceptionally grave nature of the crisis, the repercussions of which were beginning to be felt in the region, Argentina had requested that the Committee on Contributions review its assessment. Recalling rule 160 of the rules of procedure of the General Assembly and recognizing that Argentina's capacity to pay had greatly diminished as a result of the grave events, the Committee on Contributions had decided unanimously to recommend a reduction in Argentina's rate of assessment for 2003. His delegation supported the recommendation of the Committee on Contributions, whose role was precisely to provide guidance to the General Assembly on issues relating to the calculation of rates of assessment.

45. **Mr. Agyeman** (Ghana) recalled the Fifth Committee's draft resolution of 25 September 2002 (A/C.5/57/L.2) exempting eight Member States from the application of Article 19 of the Charter and expressed the hope that the Member States concerned would comply with the procedures set out in General Assembly resolution 54/237 C. He supported the recommendation of the Committee on Contributions concerning Afghanistan and noted that the situation of that Member State would be reviewed in the context of the consideration of the scale of assessments for the period 2004-2006. He also endorsed the proposal that Argentina's rate of assessment should be established at 0.969 per cent for 2003, reflecting its share of total membership GNP in the period 1993-1998. He noted with satisfaction that the Democratic People's Republic of Korea and Kiribati had settled their arrears relating to the period before their admission to the United Nations and encouraged the two remaining Member States in a similar situation to follow their example.

46. He also endorsed setting the rate of assessment for the period 2002-2003 for Timor-Leste and Switzerland at the floor rates of 0.001 per cent and 1.274 per cent, respectively, and concurred with prorating their assessments for the first year of membership and with the method for adjusting the scale until a new one was approved by the General Assembly. He would, however, be grateful for further clarification of the effect that the decision on the rates of assessment of Afghanistan and Argentina would have on the rates of Timor-Leste and Switzerland.

47. With regard to the arrears of the former Yugoslavia, clear directions were needed so that the Secretariat could settle that issue definitively. General Assembly resolutions 47/1 and 47/229 affirmed that the Federal Republic of Yugoslavia (Serbia and Montenegro) could not continue automatically the membership of the Socialist Federal Republic of Yugoslavia, but they were the result of a political compromise and contained many legal contradictions. Although the resolutions stated that the Socialist Federal Republic of Yugoslavia was no longer a member of the United Nations, the General Assembly had continued to endorse rates of assessment for that State for the periods 1995-1997 and 1998-2000 based on data obtained solely from the Federal Republic of Yugoslavia (Serbia and Montenegro). Furthermore, the opinion of the Legal Counsel, in particular regarding the principle of estoppel in the context of attempts by the Federal Republic of Yugoslavia to exercise the rights of the former Yugoslavia at the international level, was not wholly satisfactory, given that the decisions of the General Assembly proscribed the Federal Republic of Yugoslavia from participating in the General Assembly and the Economic and Social Council and from exercising rights in the name of the former Yugoslavia. It was evidently not well-advised either to link the loss of membership of the former Yugoslavia to the admission of the Federal Republic of Yugoslavia into the Organization.

48. In any case the letters from the permanent missions of the five successor States made it clear that the States that had constituted the former Yugoslavia were indeed successor States and that what had occurred was a dissolution and succession, not a

secession. The focus should therefore be on the pre-dissolution arrears and the solution adopted must not produce unintended legal effects. His delegation recommended that the Secretariat should calculate the arrears of the former Yugoslavia up to 25 June 1991, the date on which Slovenia had announced that it had ceased to exist as part of the former Yugoslavia, as well as the amounts outstanding as of 17 September 1991, 8 October 1991, 6 March 1992 and 27 April 1992, the dates on which Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia and the former Yugoslav Republic of Macedonia, respectively, had informed the Secretary-General that they had ceased to exist as part of the former Yugoslavia, without prejudice to the recommendations of the Arbitration Commission chaired by Mr. Badinter and advised by Lord Carrington. Based on the amounts determined through that process, the Secretariat would request the five successor States to pay the arrears of the former Yugoslavia taking into account the above dates and, where appropriate, the agreement which they had signed on 29 June 2001 to apportion among themselves the arrears of the former Yugoslavia. The arrears for the period from 27 April 1992, the date on which the last successor State to the former Yugoslavia had established its separate identity, up to 1 November 2001, should be written off.

49. **Mr. Kelapile** (Botswana), associating himself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China, recalled the obligation of all Member States to pay their assessed contributions in full, on time and without conditions as well as their collective responsibility for the expenses of the Organization, as apportioned by the General Assembly. Since such apportionment took account of each country's capacity to pay, the only exceptions were those cases in which the General Assembly had determined that a Member State was not in a position to meet its obligations because of circumstances beyond its control.

50. The application of Article 19 of the Charter should be exceptional and requests for exemption should be reviewed on a case-by-case basis. He supported the recommendations of the Committee on Contributions concerning the seven Member States, including Burundi, that had applied for exemptions under Article 19, despite the late submission of Burundi's request. In that regard, the provisions of General Assembly resolution 54/237 C should be respected. His delegation was sympathetic to the special circumstances faced by Afghanistan and Argentina and also supported the recommendations of the Committee on Contributions concerning those States.

51. Multi-year payment plans were useful tools that could allow Member States to demonstrate their commitment to meeting their financial obligations to the Organization. The time appeared ripe for formalizing such arrangements and related guidelines and establishing appropriate monitoring mechanisms. His delegation shared the conclusions and recommendations contained in paragraphs 17 to 23 of the report of the Committee on Contributions.

52. The reports of the Secretary-General and of the Committee on Contributions raised a number of complex issues. In seeking to address them, priority should be given to measures that could lead to concrete results. If, for justifiable reasons, the Committee on Contributions was unable to propose such measures, it was in the interest of the Member States to provide clear legislative guidance rather than engage in protracted and sometimes fruitless political discussions.

53. Regarding the possibility of changing the method of calculation of outstanding assessed contributions from the current gross assessments to net assessments, his delegation reaffirmed its understanding that the opinion offered by the Office of Legal Affairs confirmed that the current procedure was consistent with the relevant decisions of the General Assembly as well as with Article 19 of the Charter. While the desire to explore measures that might place the Organization on a more sound financial footing was commendable, he wished to caution against any measures that would accelerate the application of Article 19 for most Member States. The report of the Secretary-General (A/57/60) showed that the net to net comparison would negatively affect many Member States, especially developing countries. Improving the financial situation of the United Nations depended primarily on the political will of Member States.

54. **Mr. Kang** Jeong-sik (Republic of Korea), noting that his country had also gone through an extremely serious crisis, said that his delegation was perfectly aware of the difficulties facing Argentina and of the serious consequences of the crisis on that country's capacity to pay. It therefore supported the

recommendations of the Committee on Contributions concerning Argentina. It should be remembered, however, that a change in a Member State's capacity to pay, no matter how significant, did not mean that its assessed contribution must be changed; that could be done only in exceptional circumstances, since the current scale had been fixed in 2000 following arduous negotiations. The case of Argentina should not set a precedent and encourage countries to request reductions in their rate of assessments because of current economic difficulties. Clear and objective criteria should therefore be laid down for recourse to rule 160 of the rules of procedure of the General Assembly.

55. **Mr. Nikolov** (The former Yugoslav Republic of Macedonia) associated himself with the statement made by the representative of the Federal Republic of Yugoslavia on behalf of the successor States to the former Yugoslavia and expressed support for the solution envisaged for the arrears of the former Yugoslavia. There was a glaring contradiction between the fact that the former Yugoslavia had ceased to exist as a Member State and the principle of continuity of its arrears, which raised legal and political issues, as the Committee on Contributions had noted. Moreover, since there was no historical precedent for the dissolution of the former Yugoslavia, it could not be compared to other cases.

56. **Mr. Sabbagh** (Syrian Arab Republic) associated himself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China and expressed support for the recommendations of the Committee on Contributions. He fully shared the view expressed by the Secretary-General in his report on the application of Article 19 of the Charter (A/57/60). With regard to the arrears of the former Yugoslavia, an agreement with the successor States would facilitate the adoption of a resolution. The Fifth Committee should give more favourable consideration to the solution proposed by Iraq, which would help to ease the financial difficulties of the Organization.

57. **Mr. Anderegg** (Switzerland) expressed his appreciation for the warm welcome given to the two new Member States and for the expeditious manner in which the Secretariat and the Chairman of the Committee on Contributions had dealt with their cases. Switzerland supported the recommendations of the Committee on Contributions and stood ready to pay its assessed contributions as soon as they were determined by the General Assembly.

Agenda item 112: Programme budget for the biennium 2002-2003

Construction of additional office facilities at the Economic Commission for Africa in Addis Ababa (A/57/322)

Videoconferencing at the United Nations (A/57/339)

58. **Mr. Sach** (Director of the Programme Planning and Budget Division) introduced the report of the Secretary-General on the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa (A/57/322) which had been submitted pursuant to General Assembly resolution 56/270. An agreement had been signed with the host country, the details of which were set out in paragraph 6 of the report. A schedule of design consultancy and construction activities was set out in paragraph 7 and the cost plan was presented in the annex. He recommended that the General Assembly should be invited to take note of the report.

59. **Mr. Blinder** (Director of the Information Technology Services Division), introducing the report of the Secretary-General on videoconferencing at the United Nations (A/57/339), which had been submitted pursuant to General Assembly resolution 56/253, said that the installation of videoconferencing capabilities was a part of the overall information and communication technology strategy, the objectives of which were discussed in paragraph 3 of the report. The use of videoconferencing as a tool in consultation and decision-making had grown substantially over the three previous bienniums. The new technologies (videoconferencing systems and other means of communication using the Internet and multiple-use desktop computers needed by the United Nations, particularly for international videoconferences) were more reasonably priced. However, they required the upgrading of equipment and infrastructure and the reinforcing of support services in United Nations offices throughout the world. The budgetary provisions for information and communication technology in the current programme budget unfortunately did not permit that, and the planned improvements would be proposed in the context of the programme budget for the biennium 2004-2005.

60. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee recommended that the General Assembly should take note of the report of the Secretary-General on the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa (A/57/322). With regard to the report on videoconferencing at the United Nations (A/57/339), the Advisory Committee would make its comments, where appropriate, after considering the report of the Secretary-General on the Organization's information technology strategy.

61. **Mr. Nakkari** (Syrian Arab Republic) pointed out that he had found errors in annex III to the report (A/57/339), which listed the cities and locations in which United Nations entities with videoconferencing capacity were situated. Next to the city of Camp Faour, "Golan Heights", instead of the Syrian Arab Republic was listed in the "location" column.

62. In the case of Jerusalem, the country listed in the "location" column was Israel, even though Jerusalem was part of the occupied Palestinian territory. He therefore requested the Secretariat to correct those errors and to adhere to the relevant United Nations resolutions on the matter.

63. **Mr. Christiansen** (Denmark) said that he was speaking on behalf of the European Union, the associated countries Cyprus, the Czech Republic, Estonia, Hungary, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, and, in addition, Norway.

64. The European Union took note of the progress report on the construction project in Addis Ababa (A/57/322). It attached great importance to the work of the Economic Commission for Africa and welcomed the construction of new facilities to help meet the Commission's growing needs. It noted that the preparatory work was well under way and that the project was being implemented according to schedule, in accordance with the recommendations contained in the report of the Advisory Committee to the fifty-sixth session of the General Assembly (A/56/711).

65. The European Union also took note of the report on videoconferencing at the United Nations (A/57/339), a type of technology that it considered particularly suited to the Organization and one that should permit it to achieve cost savings, facilitate the exchange of information between Headquarters and duty stations away from Headquarters, and enhance the effectiveness of decision-making and administrative processes. The European Union strongly supported the increased use of videoconferencing and took note of the fact that that type of technology would be a component of the United Nations new information technology strategy. Furthermore, in its view, videoconferencing could be used more regularly in the meetings of intergovernmental bodies, since it would lead to significant cost reductions, particularly in the cost of travel by staff from other duty stations to New York. While some bodies, such as the Committee on Conferences, already employed the technology, the European Union suggested that videoconferencing should be introduced for the work of the Fifth Committee as early as the current session.

66. **Ms. Udo** (Nigeria) said that her delegation wondered why, in the annex to the report on the construction of additional office facilities in Addis Ababa (A/57/322), the Secretariat had made a distinction between item 6, "Contingencies", and item 7, "Provision for inflationary increases and currency fluctuation", in the cost plan. In her view, contingencies also covered any risks related to inflation and currency fluctuations.

67. **Mr. El Atrash** (Libyan Arab Jamahiriya) said that he was pleased with the progress of the construction project in Addis Ababa. He thanked the representative of the Syrian Arab Republic for his observations concerning annex III to the report on videoconferencing at the United Nations, especially with regard to Jerusalem, and expected the Secretariat to make the appropriate corrections, in conformity with international law.

68. **Mr. Sach** (Director of the Programme Planning and Budget Division), responding to the request for clarifications made by the representative of Nigeria, said that the format of the cost plan followed the Organization's traditional practice for construction work. Item 6, "Contingencies" referred to construction-related developments that could not be anticipated, while item 7, "Provision for inflationary increases and currency fluctuation" provided protection against market fluctuations, which had a significant impact on United Nations operations.

69. With regard to the comments of the Syrian and Libyan delegations concerning annex III to the report

(A/57/339), he wished to convey the Secretariat's apologies to the Committee for the errors. The Secretariat would issue a corrigendum in accordance with established practice.

70. **The Chairman** proposed that the Committee should recommend that the General Assembly should take note of the report of the Secretary-General on the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa (A/57/322) and the report of the Secretary-General on videoconferencing at the United Nations (A/57/339).

71. **Mr. Nakkari** (Syrian Arab Republic) said that his delegation had no objection to the report on the proposed construction in Addis-Ababa. On the contrary, it welcomed the progress made thus far on the project. However, with respect to the second report, his delegation wondered what the Secretariat meant by "to take note". Paragraphs 6 and 21 of the report called for additional resources to be allocated to those activities. His delegation believed, however, that they should not have additional budgetary implications. In any event, any decision on the matter would be subject to the approval of the General Assembly. His delegation would also have preferred the Advisory Committee to have submitted a report on the matter in the six official languages of the United Nations.

72. **Mr. Blinder** (Director of the Information Technology Services Division) said that, under the proposed programme budget for the biennium 2004-2005, the Secretariat would be submitting figures and projections on the use of videoconferencing. To that end, it would attempt to resolve conflicts between competing requests. It was in fact often necessary to provide such support to several conferences simultaneously.

73. **Mr. Nakkari** (Syrian Arab Republic) said that his delegation would agree to take note of document A/57/339, on the understanding that in so doing it was not authorizing the Secretary-General to increase the amount allocated to videoconferencing in the budget for the biennium 2002-2003. Nothing, however, prevented the Secretary-General from requesting additional resources from the General Assembly, should he consider it necessary.

74. **The Chairman** said that, as he heard no objections, he took it that the Committee wished to recommend that the General Assembly should adopt the two reports.

Agenda item 111: Review of the efficiency of the administrative and financial functioning of the United Nations

Procurement reform (A/57/187 and 453)

75. **Mr. Niwa** (Assistant Secretary-General for Central Support Services), introducing the report of the Secretary-General on procurement reform (A/57/187), said that the Secretariat had meanwhile received the related report of the Advisory Committee, in which the Secretariat was requested to improve its vendor registration process.

76. The Procurement Division continued to strive for excellence in the services it provided to Secretariat departments, peacekeeping missions, regional commissions, tribunals and other offices away from Headquarters, with a view to enhancing the transparency and efficiency of procurement procedures. Spearheading efforts in that regard, the Division provided support to other bodies within the United Nations system in the area of procurement reform. It placed special emphasis on training, was expanding market opportunities for vendors from developing countries and countries with economies in transition, sought increased productivity through automation and the rational use of electronic resources, and was committed to improving communication and coordination with the Department of Peacekeeping Operations and to increasing the support it provided to that Department.

77. In the field of training, the Procurement Division had been exploring innovative ideas, publishing a quarterly newsletter, assisting the Office of Human Resources Management in the development of a self-study guide on CD-ROM and inviting staff from other divisions to participate in its training sessions. The Division had now assumed responsibility for organizing all field training sessions and, to that end, had initiated dialogue with missions and offices away from Headquarters to determine their requirements. It had also been working more closely with the Department of Peacekeeping Operations, by providing staff during the mission start-up phase, providing assistance in the field, initiating a staff exchange programme, visiting potential suppliers, providing technical advice and developing new procedures for the use of letters of assist and for the delegation of authority.

78. He wished to stress, lastly, that reform was now part of the culture of the Procurement Division and that the staff of the Division were dedicated to further developing the essential support provided by the Division.

79. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee's comments on procurement reform were contained in paragraphs 2 to 9 of its report (A/57/453). While commending the Secretary-General on the format of the report, the Advisory Committee was of the view the report should provide information on other aspects of procurement reform, including potential problems other than those that had been identified in the resolutions of the General Assembly.

80. On the issue of the vendor registration process, the Advisory Committee expressed its concern at provisional registration and considered that any vendor from any country should have an equal opportunity to register and that only fully registered vendors who had received legal and financial background scrutiny should be awarded contracts.

81. The problem of delays in payments to vendors was also a matter of concern to the Advisory Committee, which requested the Secretariat to remedy the situation.

82. The Advisory Committee took note of the practice of using brokers for air transportation services and cautioned that, despite the economic advantages of using brokers, the safety of United Nations personnel and the cargo they might be accompanying was of paramount importance, as was full compliance with established safety standards and regulations.

83. **Mr. Mahtab** (India) commended the Procurement Division on the improvements to its web site, where statistical data and information on procurement activities were presented in a more organized, transparent fashion, on the reorganization of its search engine to make the site more user-friendly, and on the updating of its records.

84. His delegation looked forward to the Division sharing its experience with other United Nations entities. It understood that the World Food Programme (WFP) had introduced the Information Network and Global System (WINGS), which was well suited to its areas of operation. In 2001, WFP had made food purchases from 78 countries, 64 of them developing countries, which accounted for 56 per cent of total purchases. He urged the Division to study that system or to devise another one and to incorporate the changes needed to enhance the transparency of its web site. The progress made and experience gained should be shared in coordination meetings with other entities in the interests of greater system-wide transparency.

85. His delegation noted that the Procurement Division had made concerted efforts to enlist more vendors from developing countries by organizing seminars and briefings. However, it regretted that, as stated in paragraph 4 of the Advisory Committee's report (A/57/453), the level of procurement from developing countries had declined in some cases and the total increase in such procurement was limited to host countries of peacekeeping operations and their neighbours.

86. On the issue of the simplification of vendor registration, his delegation endorsed the views expressed by the Advisory Committee in paragraphs 6 and 7 of its report.

87. Annex I to the report showed that total procurement for 2001 amounted to US$ 854 million, of which US$ 222 million or 26 per cent related to air transportation. His delegation encouraged the Division to make purchases through systems contracts wherever possible, which would have the additional advantage of reducing the workload.

88. Lastly, his delegation wished to know whether outsourced services, particularly in the field of local area networks, wide area networks and computer maintenance, mentioned in the report of the Secretary-General on outsourcing practices (A/57/185), could have been outsourced for the United Nations Offices in Geneva and Vienna as well.

89. **Mr. Ivashchenko** (Ukraine) said that his delegation welcomed the format of the report on procurement reform, which should be more widely used by other departments of the Secretariat.

90. His delegation noted with satisfaction the efforts being made to increase participation by vendors from developing countries and countries with economies in transition, particularly through seminars and consultations with interested Member States.

91. It also welcomed the measures taken to develop a comprehensive and standard procurement training

programme for the entire United Nations system and stressed the importance of interaction with the Department of Peacekeeping Operations on all aspects of procurement in the field, which accounted for almost half of the Organization's procurement and was often tainted by irregularities.

92. **Mr. Iossifov** (Russian Federation) welcomed the procurement reform efforts of recent years, which were now beginning to show results. The web site of the Procurement Division, for example, provided not only useful information for users but also a clear and transparent explanation of the rules and procedures to be followed. In addition, the web pages were continually updated with information of interest to both providers and delegations. The Secretariat, through the intermediary of the permanent missions, where necessary, was also making an effort to constantly add new companies to the list of suppliers of the goods and services needed by the Organization and organized technical briefing sessions and seminars for the developing and least developed countries and countries with economies in transition. The Secretariat deserved support, particularly in its efforts to improve the procurement situation for operational missions.

93. While the Secretariat deserved some credit, it must be said that the results achieved were due in large measure to the constructive dialogue that had been initiated between Member States and Secretariat officials. The participation of companies of the Russian Federation in the procurement activities of the United Nations remained important to the Russian Federation, which was fully prepared, as in the past, to help create conditions for such activities that were fair to all. However, certain long-standing problems persisted and new ones were emerging. His delegation agreed in particular with the Advisory Committee's comments (A/57/453, para. 3) on the data contained in the annexes to the report of the Secretary-General (A/57/187). The problem of delays in payments to vendors remained chronic (A/57/453, para. 7) and it was important to remedy the situation. As the Advisory Committee had noted, the registration process for vendors should be an equitable one that included careful background scrutiny aimed not only at increasing the number of vendors in the register but also at verifying that bidders were qualified, particularly in terms of their legal and financial background. All vendors should be given an equal opportunity to register and only vendors listed in the register should be allowed to participate in the bidding process.

94. Russia shared the views of the Advisory Committee concerning the involvement of brokers in the air shipment of United Nations cargo. The safety of United Nations personnel and the cargo they might be accompanying was far more important than illusory short-term financial gains. Since the question had been considered in depth very early in the procurement reform process, however, and had been resolved, he was surprised that it should have been brought up again in the same context.

95. **Mr. Bouheddou** (Algeria) commended the Procurement Division on its efforts to make procurement reform a reality.

96. He noted that vendors from the developing countries accounted for 42 per cent of the total value of contracts awarded by the Secretariat, an achievement that was the fruit of measures taken by the Secretariat to encourage vendors from developing countries to conclude more contracts with the United Nations. Those measures included the production and dissemination of informational material on procurement in CD-ROM format, the provision to vendors from developing countries of a free advertising facility for their products on the web site of the Procurement Division, the sending of circulars to United Nations information offices and offices away from Headquarters requesting that they encourage local vendors to register in the United Nations list of vendors, and the organization of regional seminars with business representatives in developing countries.

97. His delegation was of the view that procurement reform should serve as an example to other departments of the Secretariat and United Nations bodies and it encouraged the Procurement Division to persevere in its efforts to achieve the objectives of the reform. With that goal in mind, the Division should take due account of the Advisory Committee's comments, especially those concerning the provisional registration of vendors and the use of brokers for air transportation services.

98. **Ms. Lock** (South Africa) commended the Secretariat on its well-structured report and its efforts to increase the opportunities available to vendors in developing countries, African countries and countries with economies in transition to be awarded contracts. However, the share of procurement from those

countries should be further increased and distributed more equitably among a greater number of countries.

99. Her delegation shared the Advisory Committee's view that the overall increase in procurement from developing countries was limited to host countries of United Nations peacekeeping operations and their neighbours. It was also concerned at the fact that contracts awarded to vendors from countries in Africa and other developing countries that were host to United Nations offices represented only a small fraction of the procurement by those offices.

100. Her delegation welcomed the fact that the United Nations funds and programmes had taken steps to reform their procurement procedures, but wondered to what extent those reforms had increased the level of their procurement from vendors in developing countries and countries with economies in transition. Although the statistics posted on the web site of the United Nations Population Fund (UNFPA) showed that contracts awarded by UNFPA to vendors from developing countries had accounted for 22.13 per cent of the Fund's total procurement in 2001, there was no indication as to whether that figure represented an increase over previous years. She wondered whether the Secretariat might provide the Committee with statistics broken down by country on contracts awarded by United Nations funds and programmes in 2000 and 2001.

101. She welcomed the Secretariat's efforts on behalf of vendors from developing countries and countries with economies in transition, notably disseminating information on the web site of the Procurement Division, providing a gratis vendor advertising facility on the web site, sending letters to permanent missions, and organizing training seminars in those countries. However, the Secretariat and the United Nations funds and programmes must pursue their efforts and consider additional measures to provide more opportunities for procurement from vendors in those countries.

102. Her delegation noted with concern that the share of procurement contracts awarded by the United Nations to vendors in developing countries or countries with economies in transition seemed to be in decline. The procurement services in all United Nations agencies should therefore introduce measures similar to those introduced by the Secretariat to expand the opportunities available to vendors in those countries to win contracts, and to put in place a more transparent and more equitable procurement system.

The meeting rose at 1.05 p.m.

United Nations A/C.5/57/SR.8

General Assembly
Fifty-seventh session
Official Records

Distr.: General
12 February 2003
English
Original: French

Fifth Committee

Summary record of the 8th meeting
Held at Headquarters, New York, on Tuesday, 15 October 2002, at 10 a.m.

Chairman: Mr. Tilemans ..... (Belgium)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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02-63943 (E)

In the absence of Mr. Sharma (Nepal), Mr. Tilemans (Belgium), Vice-Chairman, took the Chair.

The meeting was called to order at 10.15 a.m.

Agenda item 117: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*) (A/57/11, A/57/60, A/57/65; A/57/281-S/2002/895)

1. **Mr. Kulyk** (Ukraine) said that it was important for the Committee on Contributions to continue its work on refining the methodology for the apportionment of expenses, a fundamental element of which was the calculation of gross national product (GNP), or, according to the new concept, the gross national income (GNI), on the basis of exchange rates that allowed the conversion of national data into United States dollars. His delegation believed that market exchange rates (MERs) should continue to serve as the basis for calculations, while other exchange rates should be applied only in exceptional, carefully chosen cases. The price-adjusted rates of exchange (PARE) methodology was not yet fully established and could not yet reliably replace existing methodologies.

2. His delegation noted that the Committee on Contributions had given very careful consideration to possible measures to encourage the payment of contributions on time, in full and without conditions. Such measures could be justified only if they were of benefit both to the Organization and to Member States. It appeared, however, that the proposals before the Fifth Committee might have the opposite effect and undermine effective participation by Member States in United Nations activities, with serious political consequences for the Organization. Such measures should be considered only in connection with specific cases of accumulation of arrears and should be limited to the Organization's financial management.

3. With regard to the implementation of Article 19 of the Charter of the United Nations, his delegation remained unconvinced by the arguments advanced in favour of a net-net calculation applied every six months. In practice, such an approach could only defeat its purpose, since a growing number of Member States would fall under Article 19 and experience even greater difficulty in paying their contributions. It would penalize the less developed countries, above all, by limiting their participation in United Nations activities. Similar reservations applied to the introduction of interest rates on arrears or the withholding of shares in budget surpluses. Such measures would only aggravate the problem of arrears. It also believed that incentive or disincentive measures already exhaustively dealt with by the Committee on Contributions and not recommended to the General Assembly should not be considered by the Fifth Committee.

4. His delegation generally concurred with the recommendations of the Committee on Contributions relating to payment plans, which should remain voluntary and not be automatically linked with other measures. The practice of other international organizations, which might not be suitable for the particularly complex situation of the United Nations, should not necessarily be followed.

5. Lastly, his delegation supported the Committee's recommendation that the rates of assessment of Afghanistan and Argentina should be reduced, in view of the special economic situation facing those two countries.

6. **Mr. Tun** (Myanmar) said that his delegation associated itself fully with the statement by the representative of Venezuela on behalf of the Group of 77 and China. The United Nations must be given adequate resources to enable it to provide the ever growing number of services requested by Member States. In turn, Member States must pay their assessments on time and without conditions. They had a legal obligation to bear the expenses of the Organization, as apportioned by the General Assembly in accordance with the principle of capacity to pay. Developing countries, especially the least developed, should not be assessed at a rate inconsistent with that principle, even if adjustments were made to the scale of assessments or to the methodology for calculating arrears under Article 19 of the Charter. The multi-year payment plan was the best way for States to reduce their arrears. As the Committee on Contributions had recommended, however, the plan should be voluntary and not linked to other measures.

7. His delegation noted with appreciation the sympathetic consideration accorded to the request by some countries to be exempted from the application of Article 19 if they were experiencing financial difficulties beyond their control. It fully supported the recommendations of the Committee on Contributions regarding the requests by two Member States for reductions in their rates of assessment for 2003, as

provided for in rule 160 of the rules of procedure of the General Assembly. Such agreed reductions by reason of exceptional circumstances should not, however, create a precedent that could lead to similar requests in the future.

8. As a responsible Member of the United Nations and fully cognizant of its obligations under the Charter, Myanmar would continue to endeavour to pay its assessed contribution in full, on time and without conditions.

9. **Mr. Stańczyk** (Poland) said that his delegation associated itself with the statement by the representative of Denmark on behalf of the European Union and associated States. He nevertheless wished to address certain elements of the scale methodology and its application that were of particular relevance to Poland, which had seen its contribution rise by 80 per cent in 2001, 63 per cent in 2002 and 93 per cent in 2003. The size of the increases had been due to the complete abandonment of the scheme of limits, without the introduction of any compensating mechanism, even though the Committee on Contributions and the General Assembly had recognized that excessive variations in the assessment of a Member State in two successive scales should be avoided.

10. A number of proposals on how to mitigate such variations had been debated at the fifty-fifth and fifty-sixth sessions of the General Assembly. An innovative concept, proposed by France on behalf of the European Union, had been to annually update the economic data used, thereby creating a sort of rollover scale of assessments. His delegation looked forward to hearing the views of the Committee on Contributions on such a formula.

11. His delegation had other reasons to regret that its contribution under the 2001-2003 scale had been calculated on the basis of data for the period 1993-1998. The huge increase in its assessment was due not to strong growth or a greater capacity to pay but to the transformation from a centrally planned to a market economy, with the concomitant deep restructuring of whole sectors of industry and changes in prices, production costs and management methods and processes. The process of adapting to the standards of other European countries and the world economy had forced Poland to take drastic measures, with painful economic and social consequences, including the downsizing or closing of entire branches of economic activity (coal mining, the heavy metallurgical industry, shipbuilding, textiles) that were no longer competitive. His delegation therefore considered that the data on national income and per capita national income used by the Committee on Contributions did not at all reflect the real state of Poland's economy and instead artificially inflated its capacity to pay. The implications of that over-assessment were not limited to the scale of assessments for the apportionment of the expenses of the United Nations, since the scale served as a point of departure for calculating contributions to the peacekeeping budget and was also largely followed by the specialized agencies of the United Nations.

12. The scale of assessments for the period 2004-2006 would be based on statistical data ending in 2001. Judging by past experience, his delegation feared that national income data alone would again not adequately reflect the costs and impact of a continuing social and economic transformation, the real state of the economy or Poland's capacity to pay. The country had experienced a severe economic downturn during the previous four years, as opposed to the mid-1990s, which had seen considerable growth. Overall economic growth had been under 1 per cent and gross domestic product (GDP) had decreased.

13. Poland had written to the Chairman of the Committee on Contributions presenting in some detail various aspects of the social and economic situation that seriously affected its capacity to pay in 2002. Because of the base period on which the scale for the period 2004-2006 would be calculated, the inability to pay would not be fairly reflected. As stated in paragraph 129 of its report (A/57/11), the Committee had decided to consider the information provided at its next session, to be held in June 2003. His delegation trusted that the Committee would take that information into consideration during its work on refining the scale methodology and its application in the calculation of the scale of assessments for the period 2004-2006.

14. **Ms. Silot Bravo** (Cuba) said that her delegation associated itself with the statement by the representative of Venezuela on behalf of the Group of 77 and China. All Member States should meet their financial obligations under Article 17 of the Charter, but account should also be taken of the situation of countries not in a position to do so owing to circumstances beyond their control. In that regard, her delegation noted with satisfaction that the timely submission of requests and supporting evidence by the

States concerned had expedited the consideration of requests for exemption under Article 19.

15. It would be unwise to introduce too many new measures, but a multi-year payment plan would be one measure that could help countries in financial difficulties to settle their arrears. As the Committee on Contributions and the Group of 77 and China had recommended, such a plan, if introduced, should be voluntary and not automatically linked to other measures, since some countries might find themselves unable to submit a schedule of payment. Initiatives aimed at improving the application of Article 19 should be guided by practical rather than technical considerations, while seeking to safeguard the interests of all Member States.

16. The Committee on Contributions and the General Assembly should continue their consideration of the measures envisaged in such areas as the indexation of arrears, charging interest on arrears and use of budget surpluses.

17. Her delegation shared the view of the Group of 77 and China about the recommendations of the Committee on Contributions regarding the assessed contributions of the new Member States (Switzerland and Timor-Leste) and the reduction in the assessed contributions of Afghanistan and Argentina. It would, nonetheless, be useful if the Secretariat could provide the Fifth Committee with detailed information on the effect of those recommendations on the scale of assessments, taking into account the methodology for establishing the scale approved in General Assembly resolution 55/5 and the practice referred to in paragraph 105 of document A/57/6.

18. Her delegation would also welcome further information on the new conversion methodology considered by the Committee on Contributions, and especially on the criteria governing the use of exchange rates other than market rates.

19. **Ms. Afifi** (Morocco) said that her delegation associated itself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China. It welcomed the recommendations contained in the report of the Committee on Contributions, particularly those relating to the multi-year payment plan. Capacity to pay was the main criterion in the establishment of the scale and every State had an obligation to honour its financial commitments to the Organization in full, on time and without conditions. A multi-year payment plan could help both to reduce the number of Member States falling under Article 19 of the Charter and to improve the Organization's financial situation. Her delegation therefore supported its introduction, although it considered that, while the submission of a payment plan in support of a request for exemption under Article 19 could be a positive factor in considering the request, the State concerned should not be penalized for failing to submit a plan if it had good economic, political or social reasons for being unable to do so. The submission of a plan should be voluntary and should not be linked to other measures.

20. With regard to the reduction in the contributions of Afghanistan and Argentina, she recalled that the provisions of rule 160 of the rules of procedure of the General Assembly permitted the consideration of appeals by those two States. Her delegation supported the recommendations of the Committee on Contributions in that regard.

21. **Mr. Al-Mansour** (Kuwait) said that his delegation supported the statement made by the representative of Venezuela on behalf of the Group of 77 and China and endorsed the recommendations of the Committee on Contributions concerning the appeals by Afghanistan and Argentina for a change in their assessments, as provided for in rule 160 of the rules of procedure of the General Assembly.

22. The main reason for the Organization's financial difficulties was not the methodology for calculating contributions but rather the fact that some Member States did not meet their financial obligations on time, in full and without conditions. Any change in the current methodology could have only a limited effect, so long as the problem of arrears owed by some Member States persisted. In order to place the United Nations on a solid financial footing, all of its Members must undertake to always pay their contributions in full and on time, like Kuwait and a few other countries.

23. Capacity to pay remained one of the main criteria to be taken into consideration in establishing the scale of assessments. The methodology for assessing capacity should be improved on the basis of more accurate, fairer and more transparent information. In accordance with the relevant General Assembly resolutions, particular account should be taken of the financial or other constraints faced by some countries,

notably the developing countries and those whose economies were affected by special circumstances.

24. **Mr. Kramer** (Canada), speaking also on behalf of Australia and New Zealand, recalled that in 2001 the Committee had agreed to defer until the resumed session its consideration of the Secretary-General's report on measures to encourage Member States in arrears to reduce and eventually pay their arrears (A/57/76). In view of the fact that multi-year payment plans and the tightening of the application of Article 19 of the Charter were part of the broader issue of reducing arrears, the Committee might choose to also defer consideration of the whole cluster until the resumed session. Meanwhile, however, he wished to make two comments on the matter.

25. First, the Committee should agree at the fifty-seventh session of the General Assembly to implement the decision taken two years earlier to calculate arrears on the basis of payments made against actual assessments issued rather than the gross amount. The current arrangements in many cases created the fiction of a credit where no payment had been made. Australia, Canada and New Zealand would also favour the semi-annual calculation of arrears as a further step to bolster discipline in accordance with the Charter. Even implementing what had already been agreed, however, would represent real progress.

26. Secondly, the Secretary-General's report on multi-year payment plans (A/57/65) highlighted many of the issues associated with such plans, which would enable Member States to show their commitment to paying their arrears. Australia, Canada and New Zealand generally shared the sensible approach of the Committee on Contributions to the issue, especially the idea that such plans should be voluntary and should be taken into account in the consideration of applications for exemption under Article 19. They welcomed the fact that four applicants for exemption in 2002 had submitted multi-year payment plans.

27. Australia, Canada and New Zealand could support the Committee's recommendation to reduce the rate of assessment for Afghanistan in 2003 and appreciated the steps that it had taken to obtain the available information and apply it to the scale methodology.

28. One of the most important matters before the Fifth Committee was Argentina's appeal for an ad hoc reduction in its rate of assessment for 2003 under the provisions of rule 160 of the rules of procedure of the General Assembly. The Committee could not but be receptive to the appeal, since Argentina faced both a significant increase in its assessment rate and a massive economic crisis which undeniably affected its capacity to pay. The discussion and the recommendations of the Committee on Contributions reflected the view that the United Nations had a part to play in responding to the unique circumstances confronting Argentina.

29. It was, however, with good reason that a high premium was attached to preserving the integrity of the scale of assessments once it had been agreed and the Committee had always been extremely guarded about acceding to appeals under rule 160 of the Assembly's rules of procedure, expressing doubt that individual adjustments could be made without a comprehensive review of all aspects of the scale. The agreed methodology was a means of determining the financial obligations of Member States under Article 17 of the Charter and it was therefore essential to be prudent in taking any decision that was not clearly based on the agreed methodology. Under the current methodology, however, Argentina's reduced capacity to pay would result in a reduced assessment only after several years. That vindicated the view put forward by Australia, Canada and New Zealand during the scale negotiations in 2000 that capacity to pay should be based on the most up-to-date information in order to be accurately reflected in the scale.

30. The measures recommended for Argentina were unprecedented. It was therefore not surprising that Member States would wish to be satisfied that they were indeed exceptional measures that were unlikely to lead to a proliferation of similar appeals. Decisions must be based on clear and transparent criteria and the method used to implement them must be clearly understood and compatible with the principles governing the scale. Australia, Canada and New Zealand would therefore have welcomed more information from the Committee on Contributions on the relationship between its recommendation and the scale methodology, an explanation of how the recommendation differed from decisions on past applications under rule 160 and further details of how it would be applied. A discussion of the criteria used for the evaluation of appeals under rule 160 would also have been useful. While the Committee might have been right to innovate in the face of singular circumstances, Member States would be better

disposed to respond to change if the rationale for the innovation were developed and explained in a comprehensive manner.

31. The Fifth Committee's decisions had consequences for the rest of the United Nations system and it would be useful to know whether the Committee on Contributions had taken that factor into account when considering the case of Argentina. It would also be useful to hear from the Secretariat about the procedures followed by the specialized agencies in response to any decision by the General Assembly to adjust rates within a scale period. By responding to the questions raised by Argentina's appeal, the Committee on Contributions would help the General Assembly to give a carefully considered response to the immediate circumstances, while putting the future functioning of the scale on a sounder footing.

32. **Mr. Al-Shamlan** (Qatar) said that his delegation endorsed the statement made by the representative of Venezuela on behalf of the Group of 77 and China and urged all Member States in a position to do so to pay their contributions on time, in full and without conditions.

33. With regard to Member States that were not in a position to pay their assessed contributions because of their economic situation, his delegation believed that the international community should show solidarity and give their case favourable consideration, with due regard to the principle of capacity to pay. With respect to Afghanistan and Argentina, his delegation fully supported the unanimous decision by the Committee on Contributions to recommend a provisional reduction in the assessment of those Member States until their current difficulties had been overcome.

34. Although it subscribed to the provisions of Article 19 of the Charter, Qatar recognized that some States were unable to pay their contributions during a given period and was therefore in favour of the idea of multi-year payment plans proposed in the report of the Committee on Contributions, on the understanding that the submission of such plans should remain voluntary. As stated in paragraph 18 of the report of the Committee on Contributions, due consideration should also be given to the economic circumstances of Member States, not all of which might be in a position to submit such plans.

35. With regard to the arrears owed by the former Yugoslavia, his delegation supported the measures that had been taken by the Committee, which was the body best placed to consider all aspects of such questions, in consultation with other United Nations bodies, where appropriate, and to provide the General Assembly with technical advice.

36. **Mr. El Atrash** (Libyan Arab Jamahiriya) expressed support for the statement made by the Group of 77 and China. He stressed that, while all Member States were required to pay their assessed contributions to the Organization on time and without conditions, in accordance with the Charter, the principle of capacity to pay should also be taken into account, in particular for Member States experiencing exceptionally difficult circumstances owing to factors such as unilateral sanctions, embargoes, acts of aggression or natural disasters.

37. The Committee on Contributions played an important advisory role and its conclusions and recommendations helped Member States take appropriate decisions. However, Member States requesting exemptions under Article 19 should respect the deadlines set and provide all of the financial and economic data required to support their appeals. The Libyan Arab Jamahiriya supported the recommendations of the Committee on Contributions concerning requests for exemption under Article 19 as well as requests for revision of assessed contributions submitted by Members and hoped that all Member States concerned would meet their financial obligations to the Organization as soon as possible.

38. His delegation welcomed the recommendations on multi-year payment plans contained in paragraphs 17 to 23 of the report of the Committee on Contributions. It believed that those measures should not be linked to any conditions and looked forward to other proposals the Committee on Contributions might put forward for improving the Organization's financial situation and encouraging Member States to reduce their arrears. The best practices of regional, international and intergovernmental organizations should be used in that regard. His delegation hoped that proposals would be made in respect of incentives for Member States that met their financial obligations, such as crediting budgetary surpluses to their accounts or giving them priority in the filling of certain posts.

39. His delegation had closely examined the new proposals for amending the current method of calculating arrears in application of Article 19 of the

Charter. It noted that, if such amendments were adopted, a large number of Member States, including many developing countries, would be subject to the application of Article 19. The current method should therefore be continued.

40. **Mr. Wittmann** (United States of America) said that his delegation shared the concerns expressed by other delegations regarding the financial situation of the United Nations and would be addressing the question in greater detail during the introduction of the Controller's report. It also recognized that some Member States faced circumstances beyond their control that delayed payment of their dues, and noted with satisfaction that the General Assembly had already recognized that circumstance earlier in the session by providing exemptions to those Members affected by the application of Article 19.

41. His delegation stood ready to support Member States that were willing to cooperate with the Organization by presenting plans for payment of their arrears. Although it agreed that those States should benefit from a certain flexibility in fulfilling their obligations, it was concerned that multi-year payments, like any credit plan, might lead to increased financial difficulties for those Member States if not properly managed. His delegation looked forward to continuing the debate on the issue.

42. The United States supported the recommendations of the Committee on Contributions concerning the appeals by Afghanistan and Argentina for modification of their assessed contributions. However, the differing interpretations of how rule 160 of the rules of procedure of the General Assembly should be applied should be examined in greater detail so that Members would have a clear understanding of what the rule meant. His delegation concurred with the Committee that the measures taken to correct the problem should not undermine the current scale methodology, given the difficulties involved in calculating the rate of assessments. That particular aspect would be addressed in 2003.

43. The United States noted with interest the proposal put forward by the European Union to utilize surplus assessments resulting from the accession of Switzerland and Timor-Leste in order to compensate for the effects of an ad hoc adjustment to the assessed rates for Afghanistan and Argentina for 2003. It looked forward to pursuing the matter in informal consultations.

44. **Mr. Zulu Kilo Abi** (Democratic Republic of the Congo) said that while, on the whole, he endorsed the statement made on behalf of the Group of 77 and China, he believed that the question of the dues of the former Yugoslavia should be considered on the basis of General Assembly resolutions 47/1 of 22 September 1992 and 47/229 of 29 April 1993, since the problem called for a political solution.

45. The Democratic Republic of the Congo was particularly well placed to appreciate the situation in Argentina, having itself experienced successive conflicts and economic crises; it thus fully supported a favourable response to Argentina's request. The same was true for Afghanistan, which was a low-income country, as the Economic and Social Commission for Asia and the Pacific (ESCAP) had stressed.

46. The Democratic Republic of the Congo was also in favour of the introduction of multi-year payment plans, provided that they were voluntary and not automatic.

47. **Ms. Wahab** (Indonesia) said that the Government of Indonesia emphatically condemned the bomb attack in Bali on 12 October. It wished to express its condolences to the families and friends of the victims of that most recent act of international terrorism, which was the worst Indonesia had known, as well as its appreciation to the members of the international community for their outpouring of sympathy.

48. Turning to agenda item 117, her delegation associated itself with the statement made by Venezuela on behalf of the Group of 77 and China. It was essential for Member States, especially the major contributor, to pay their dues in full, on time and without conditions, as required by the Charter. However, Indonesia, which was still recovering from its 1997 economic crisis, recognized that capacity to pay could be affected by difficulties beyond the control of Member States, a factor that the Committee on Contributions should take into account. It therefore supported that Committee's recommendation that the assessments of Afghanistan and Argentina for 2003 should be reduced.

49. Her delegation concurred with the Committee on Contributions that the submission of multi-year payment plans should remain voluntary rather than

being automatically linked to other measures. Her delegation also welcomed the accession of Switzerland and Timor-Leste to membership of the United Nations.

50. **Mr. Sessi** (Chairman of the Committee on Contributions) said that delegations had underscored the importance of meeting financial obligations under the Charter. Generally speaking, they had maintained that the submission of multi-year payment plans should be made more formal than was currently the case, although their views on the modalities of implementation differed. Delegations supported the recommendations of the Committee on Contributions concerning the assessed contributions of new Member States. They were also generally supportive of a reduction in the assessed contributions of Afghanistan and Argentina for 2003, although some appeared to be concerned that, although such a reduction was provided for in rule 160 of the rules of procedure of the General Assembly, it might eventually lead to an annual renegotiation of the scale.

51. The issue of the arrears of the former Yugoslavia had been looked at by the Secretariat from a legal perspective and its comments on the matter had been communicated by the Secretary-General to the President of the General Assembly in a letter dated 27 December 2001 (A/56/767). After considering the matter, pursuant to resolution 56/243 B, the Committee had reached the conclusions contained in its report. The key points in that report were that the question of how to treat those arrears raised a number of legal and political issues that exceeded the competence of a technical advisory body; there were no technical grounds for writing off the arrears; should the General Assembly decide to seek payment of the pre-dissolution arrears of the former Yugoslavia, it could invite the five successor States to seek agreement on their relative shares and would no longer need to consider the issue at the current state; lastly, should the Assembly decide to seek payment of some or all of the post-dissolution arrears of the former Yugoslavia, it would need to pursue the matter with the Federal Republic of Yugoslavia. The amount of arrears specified in the letter from the General Assembly totalled to $16,218,555. It had been reduced by $41,927 in 2002 (unused credit from peacekeeping operations), bringing the total to $16,176,628. The Assembly should also rule on two non-allocated credits, one amounting to $26,000 for the Working Capital Fund for the biennium 2000-2001, and the other amounting to $1,846.

52. The additional information requested by Ghana on the parameters to be used for the distribution of arrears could be communicated to the Fifth Committee in informal consultations, as could the information requested by Cuba on the impact of the recommendations of the Committee on Contributions on the scale of assessments and conversion rates. In connection with the latter, if the Fifth Committee agreed, a seminar could be organized by the Secretariat early in the fifty-eighth session to introduce Fifth Committee members to the methodology for the preparation of the scale of assessments, including the element concerning conversion rates.

53. In response to the questions raised by the delegations of Canada and the United States, no official criteria governing the implementation of rule 160 of the rules of procedure existed as yet and requests for exemption under Article 19 were therefore considered on a case-by-case basis. Lastly, although its report had not made it clear, the Committee on Contributions had considered the likely impact of its recommendation to reduce the assessed contributions of Afghanistan and Argentina on United Nations bodies as a whole.

54. **The Chairman** said that, if there was no objection, he would take it that the Committee had concluded its general debate on agenda item 117.

55. *It was so decided.*

Agenda item 111: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Procurement reform (continued) (A/57/7/Add.1 and A/57/187)

56. **Ms. Armstrong** (Canada), speaking also on behalf of Australia and New Zealand, welcomed the recent progress made on the issue of procurement reform and urged the departments and organizations concerned to continue to work towards a transparent, cost-effective and accountable process that reflected the international character of the Organization. It was important to maintain the principle of awarding contracts to the most economical bids, bearing in mind quality and value for money.

57. A key issue in procurement reform was the harmonization and simplification of the process throughout the United Nations and its funds and programmes. The practices of the Procurement Division stood out in that regard and should therefore be emulated. The report before the Committee described the improvements under way at the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA). She would be interested in hearing about the progress made in other agencies of the United Nations system and the areas that still required improvement.

58. There was a need to simplify and harmonize the registration process for vendors who had already registered with another organization in the United Nations system. As stated in paragraph 26 of the report (A/57/187), the issue had been reviewed at the inter-institutional level. She wondered what recommendations had emerged from that review. The single Internet portal created to direct users to procurement information on various United Nations web sites was a step in the right direction, although few improvements had been made since its launch in the autumn of 2001. Even for those agencies that were featured on the web site, information was inconsistent and not always easy to find.

59. One means of harmonizing and simplifying the system would be to designate a single lead agency for the procurement of specific commodities and services. Such a concept would be particularly useful if it were accessible via the single Internet portal and if all funds and programmes participated.

60. **Mr. Eljy** (Syrian Arab Republic) welcomed the comments and recommendations of the Advisory Committee on Administrative and Budgetary Questions contained in its report on procurement reform. However, the measures undertaken appeared to have been insufficient, since there had been no significant improvement in the share of vendors from developing countries and countries in transition. He was particularly concerned at the disparities evident from the data provided in annex II to the report of the Secretary-General on procurement reform (A/57/187) and would appreciate clarification of the matter during informal consultations.

61. **Ms. Udo** (Nigeria) expressed appreciation for the work done by the Procurement Division since the adoption of General Assembly resolution 55/247, particularly the training of vendors from developing countries and countries in transition in procurement procedures. The ongoing objective, which should be integrated into the harmonized procurement-training programme being developed by the Inter-Agency Procurement Working Group for the United Nations system as a whole, must be to open access to procurement to all Member States.

62. Improvements in the Procurement Division's web site and the organization of seminars and briefings for vendors from developing countries were initiatives that deserved encouragement. The creation of a gratis vendor advertising facility on the United Nations web site for vendors from developing countries and countries in transition was a further welcome development.

63. The Advisory Committee had noted in its report that the statistics provided by the Secretariat revealed no significant change benefiting vendors from developing countries. The Procurement Division should work assiduously to remedy that worrying situation.

64. Her delegation noted with interest that the Procurement Division and the Department of Peacekeeping Operations were collaborating more closely than previously in many areas, including in the provision of assistance to potential suppliers. Such concerted efforts could help correct the imbalance that had been highlighted by the Advisory Committee. Her delegation encouraged the Secretariat to continue to take similar concrete steps to increase procurement opportunities for vendors from developing countries.

65. **Ms. Wahab** (Indonesia) welcomed the initiatives undertaken since the adoption of resolution A/55/247 to improve the efficiency, transparency and cost-effectiveness of the procurement process. It was a matter of concern, however, that, according to the Advisory Committee, the statistical data provided by the Secretary-General showed no significant increase in the level of procurement from developing countries, which in some cases even declined. It was thus vital for the Secretariat to intensify its efforts to disseminate information within the business sectors of developing countries about participation in the tendering process, including through the continued organization of business seminars and briefings.

66. Her delegation shared the concern raised by the Advisory Committee that provisional registration of vendors could lead to unequal treatment of companies wishing to be registered with the United Nations. It concurred with the Advisory Committee's observation that any vendor from any country should have an equal opportunity to register, and that only fully registered vendors who had received legal and financial background scrutiny should be eligible for contracts. Other questions concerning the report would be raised by her delegation during informal consultations.

67. **Mr. Toh** (Director of the Facilities and Commercial Services Division), replying to delegates' questions and comments, said that he agreed with the representative of the Russian Federation that the success of procurement reform owed much to the constructive dialogue between Member States and the Secretariat.

68. In response to the representative of India, he explained that the Information Network and Global System (WINGS) of the World Food Programme (WFP) was an internal management system to which access was limited, while the United Nations procurement process was open to anyone with a computer and Internet access.

69. Several delegations had associated themselves with the Advisory Committee's comments regarding the share of developing countries and countries in transition in United Nations procurement. In that regard, it should be noted that United Nations procurement was based on international competition in conditions of strict equality. The Secretariat could not therefore help vendors from those countries to win contracts; it could only help them by ensuring that they were aware of opportunities available to them. In that regard, particular care must be taken when interpreting statistics. Country attributions were made according to the location of the vendor, which was not necessarily the same as the country in which the product was manufactured or where the bulk of the cost would be retained. There was one exception: for food products, such as grain, whose origin was easier to determine, WFP used the exporting country as the criterion. The World Trade Organization had been grappling with the problem of rules of origin since 1995 with no success.

70. The geographic distribution of the procurement portfolio varied from one year to the next. For example, the share of developing countries and countries with economies in transition had increased from 36 per cent in 2000 to 38 per cent in 2001. However, a share reduction could also conceal an increase in real terms. For example, while the share of developing countries or countries in transition had fallen from 42 per cent in 1998 to 38 per cent in 2001, during the same period it had increased from $1.3 billion to $1.7 billion in absolute dollar terms. The data on the funds and programmes requested by South Africa were currently available on the Procurement Division's web site.

71. Systems contracts were used as much as possible and 90 of them were currently in place. For air transport services, however, they were not the most cost-effective option, since it was preferable to use a carrier with a plane near the point of origin in order to avoid heavy repositioning costs.

72. Provisional registration of vendors was simply a procedure that allowed vendors to participate in a bid, on the understanding that contracts would be awarded only after their registration had been duly processed in accordance with established procedures, and all necessary guarantees of the vendor's financial situation and integrity had been provided. In fact, provisional registration served to enhance equity among vendors and increase competition, in line with the Procurement Division's mandate.

73. With regard to payment delays, the average time taken to process invoices was down to 20 days, according to the Accounts Division, and only 14 per cent of invoices were more than 30 days old, with 4.5 per cent more than 60 days old. Member States should bring any anomaly of which they were aware to the attention of the Secretariat for investigation.

74. With regard to the Advisory Committee's comments on the use of brokers, the latter were used only for air cargo transportation, a niche market in which their in-depth knowledge was invaluable. He cited an example that illustrated the role brokers could play in the geographic diversification of service providers and in cost management. He also wished to stress that aircraft chartered using brokers as middlemen were subject to the same security rules as those chartered directly from the operators. His comments were intended to ensure that the Fifth Committee had all the facts before deciding whether to continue to involve brokers.

75. **Ms. Armstrong** (Canada) said that United Nations agencies should simplify and harmonize their procedures for the registration of vendors. The Procurement Division had already simplified the procedure for cases in which the value of the contract did not exceed $10,000. The members of the Inter-Agency Procurement Working Group had been discussing the issue for years, but had yet to reach a conclusion. Procedures differed, since needs were not always identical. Unlike development funds and programmes which operated within a mid- to long-term time-horizon and could thus shortlist tenderers, organizations such as the United Nations must be able to call upon pre-selected vendors at short notice. The Inter-Agency Procurement Working Group was nevertheless continuing its search for a solution.

The meeting rose at 12.10 p.m.